

Office of Inspector General

Program Summary by Appropriations Account

(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	\$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	\$16,830	\$17,352	\$17,022	\$18,450	\$1,428	8.4%
Audit	11,549	11,908	11,682	12,661	979	8.4%
Investigations	5,281	5,444	5,340	5,789	449	8.4%
Subtotal, Office of Inspector General	\$16,830	\$17,352	\$17,022	\$18,450	\$1,428	8.4%
Offsetting Collections - Reimbursables	2,342	2,342	2,342	1,300	(1,042)	(44.5%)
Total Program Operating Level	\$19,172	\$19,694	\$19,364	\$19,750	\$386	2.0%

Explanation of Request

The FY 2008 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of the Department of the Treasury's programs and operations. While there are a number of critical areas where the OIG will provide oversight, highlights of three of the Department's most serious management challenges where the OIG will focus resources include:

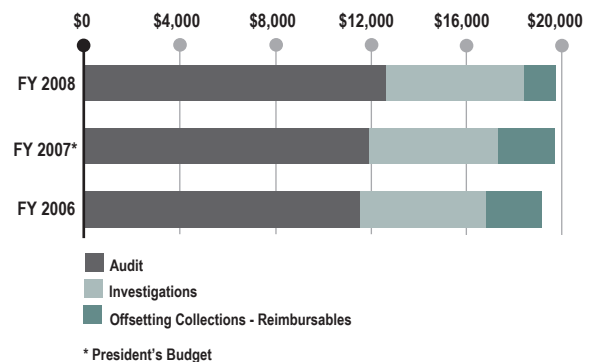
- Improving regulatory gaps in the detection of and/or timely enforcement action against financial institutions for Bank Secrecy Act (BSA) and related violations, and strengthening Office of Foreign Assets Control (OFAC) compliance examinations for the institutions examined by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).
- Improving the Department's compliance with information technology security policies, procedures, standards, and guidelines as required by the Federal Information Security Management Act (FISMA)
- Improving Treasury's management of large acquisitions of systems and other capital investments to prevent costly or failed acquisition projects

The requested funding will also allow OIG to continue to prevent, detect and investigate complaints of fraud, waste and abuse at eight Treasury bureaus and all non-Internal Revenue Service (IRS) Treasury offices, including detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury.

Total resources required to support OIG operations for FY 2008 are \$19,750,000, including \$18,450,000 from direct appropriations, and \$1,300,000 from reimbursable agreements for contract audits of other Treasury bureaus.

OIG Funding History

(Dollars in Thousands)



Purpose of Program

The Treasury OIG plays a major role in support of the Department of the Treasury's goal to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. OIG conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

OIG FY 2008 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	\$16,830
FY 2007 President's Budget	\$17,352
CR-rate Adjustment	(330)
FY 2007 CR-rate	\$17,022
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	\$882
Base Adjustment	882
Maintaining Current Levels (MCLs):	\$546
Non-Pay Inflation Adjustment	95
Pay Annualization	71
Pay Inflation Adjustment	380
Subtotal FY 2008 Changes to Base	\$1,428
FY 2008 Base	\$18,450
Total FY 2008 President's Budget	\$18,450

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for OIG is \$17,352,000.

Adjustments

CR-rate Adjustment - \$330,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Base Adjustment + \$882,000 / +0 FTE Technical adjustment to FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels + \$546,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of \$71,000; proposed January 2008 pay raise of \$380,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$95,000.

Explanation of Budget Activities

Salaries and Expenses

Audit (\$12,661,000 from direct appropriations and \$1,300,000 from reimbursable programs) The Office of Audit conducts audits of eight Treasury bureaus and all non-IRS Treasury offices; produces more than 50 reports annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office of Audit often

identifies significant cost savings to the government, principally through self-initiated audits. The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. While certain audits are required by law to be conducted every year, the number of additional congressionally-required and requested audits has increased in recent years.

Investigations (\$5,789,000 from direct appropriations)

The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

Legislative Proposals

The OIG has no legislative proposals for FY 2008.

Description of Performance

In FY 2006, OIG efforts resulted in 57 audits completed, 68 new cases opened, 149 investigations referred, potential monetary benefits of \$35 million identified, and nearly \$600 thousand collected in fines, restitution, recoveries, and settlements.

In FY 2007, the Office of Audit will perform or supervise contractors to meet mandated audit requirements. The Office of Audit will also continue to work with the Department and focus a substantial amount of its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges are (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results, and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement.

In FY 2007, the Office of Investigations plans to continue investigating all reports of fraud, waste and abuse and other criminal activity. FY 2007 resources will enable the Office of Investigations to maintain the improvements being made in an effort

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Number of completed audits and evaluations (Ot)	49	54	57	✓	56	56
	Percent of statutory audits completed by the required date (%)	100	100	100	✓	100	100
Investigations	Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action.	N/A	85	144	✓	105	105

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

to aggressively investigate, close, and refer cases in a timely manner. The Office of Investigations will also continue to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006.

FY 2008 requested resources will allow OIG to maintain performance at a level consistent with

FY 2006 and FY 2007. OIG has continued to direct a significant portion of its limited resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at the Financial Crimes Enforcement Network, OFAC, OCC, and OTS. OIG expects to complete 56 audits and evaluations and refer 105 investigations in FY 2008.

